Journal for Studies in Management and Planning
Available at http://internationaljournalofresearch.org/index.php/JSMaP

e-ISSN: 2395-0463
Volume 01 Issue 05
June 2015

India's Foreign Trade and Economic Scenario

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Abstract

Indian foreign trade is assisting the economic growth by its significant contribution through exports and imports. In 2013-14, merchandise trade of India as a share of Gross Domestic Product (GDP) was 41.6 percent. Total exports made by the country in April 2015 were valued at Rs. 138400.44 crore while imports were made worth Rs. 207380.63 crore. Government has fixed the export target of $ 340 billion for the year 2014-15. The foreign trade is the purchase and sale of goods and services at international level. Foreign trade include two main parts namely imports and exports. Indian exports have a brilliant history since the pre-independence days. The total share of India in the world's export was 2 % in 1950 which decreased up to 0.4% in 1980. After this period, however the exports from the country increased to about one per cent by 2007. Now India's share in the global exports is 1.7 %

Key Words: Gross Domestic Product (GDP), Exports, Imports, Entrepot.

Introductory View

Foreign trade has great importance in the economic development of any nation. Foreign trade is the concrete medium for generating foreign capital. Foreign capital is required for the investment in infrastructure, labour, technology and other capital expenditure. Any country cannot compete at international level in the modern era of globalization without a developed foreign trade. There are other important utilities of foreign trade which are urgently required for the economy of any country. Foreign trade facilitates to the free movement of labour, capital and technology. Many businesses require international market for the growth like automobile sector, telecom sector and shipping sector etc. The indigenous people can use the foreign products easily and this practice helps to remove the curiosity about foreign products.

Foreign trade concept is comprised of two words, viz. foreign and trade. The trade which s performed with the foreign country is termed as foreign trade. In another words, the foreign trade is the purchase and sale of goods and services at international level. Foreign trade include two main parts namely imports and exports. Both exports and imports are necessary for the balanced foreign trade. Foreign trade can be understood by discussing following three terms:

e-ISSN: 2395-0463
Volume 01 Issue 05
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(a). Imports: when any nation purchases/hires the goods and services from abroad, it is called imports.

(b). Export: when a nation sells the same to foreign nation, it is called exports.

(c). Entrepot: This is another form of exports. In this type the goods are imported from the foreign country and re-exported for the additional benefits.

Objectives and the Design of the Study

Present article is focused on the view of the foreign trade of India. An effort has been made to discuss the contribution of the foreign trade in the economic development the country. For the purpose of collecting the informations and data related to this paper, various published and online sources have been considered. The findings have been summarized in the ending part of the article under the conclusion heading. The main limitation of the findings drawn in this study is the use of secondary data which have been used for the purpose.

Indian Foreign Trade

Foreign trade of India is helping the economic development by merchandise exports and imports. The exports those items which are produced in abundance more than consumption and imports those items which are in shortage. In the year 2013-14, merchandise trade of the country as a share of Gross Domestic product (GDP) was 41.6%. Total exports made by the country in April 2015 were valued at Rs. 138400.44 crore while imports were made worth Rs. 207380.63 crore. Government has fixed the export target of $ 340 billion for the year 2014-15. The foreign trade of India developed during the period of 1900-1914. The main items of the exports at that time were mainly traditional products like oilseeds, jute, cotton and tea etc. during the Second World War, the exports and imports attained high volume and supported previous real balances of payment. At that time raw materials were exported and finished goods were imported by the foreign rulers. In 1938-39, United Kingdom was the major exporter for the India comprising 39 % of the total imports.

Exports of India can be divided in to four categories. First category includes the exports of agricultural and allied products, second category involves the exports of ores and minerals, third category refers to the exports of manufactured goods and the exports of Minerals fuels and lubricants are placed under fourth category. Main imports of the country includes food grains, mineral oils, machinery, metals, pearls and precious stones, chemicals, drugs and medicines and fertlisers. At the time of independence, Indian position of foreign trade was remarkable. After the independence, the exports of India continued to decline until the year of 1980. The total share of India in the world's export was 2 % in 1950 which decreased up to 0.4% in 1980. After this period, however the exports from the country increased to about one per cent by 2007. Now India's share in the global exports is 1.7 %.

e-ISSN: 2395-0463
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Table1: Trends of Indian Foreign Trade

Year	Exports	Growth (%)	Imports	Growth (%)
2009-10	845534	0.57	1363736	-0.78
2010-11	1142922	35.17	1683467	23.45
2011-12	1465959	28.26	2345463	39.32
2012-13	1634319	11.48	2669162	13.8
2013-14 (P)	1894182	15.9	2714182	1.69

Source: Annual Report-2013-14, Department of Commerce, Ministry of Commerce and Industry, Govt. of India.

Indian exports are showing positive growth since previous five years. This positive growth is the symbol of development. Imports are decreasing since previous two years which is the sign of sound trend. Less growth in imports helps to save the foreign exchange which can be utilized for the economic growth.

The exports business of India is creating international image and importance of the country at international level. Various Export Processing Zones (EPZs), Export Oriented Zones (EOZs), Free Trade Zones (FTZs) and Special Economic Zones (SEZs) have been established by the Government to enhance the exports from the country.

Conclusion

Indian exports and imports are the bases of the economy. Imports are fulfilling the demand of those goods which are urgently required in the country. Exports are distributing the surplus goods to the foreign markets and absorbing the opportunities very well. Foreign trade is assisting the procurement of development by contributing to GDP more than forty percent. However the share of Indian's exports in the world economy is only 1.7%, but the role of this sector in overcoming the shortage of foreign capital is very important. Hence, foreign trade of India has great importance in the economic scenario.

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e-ISSN: 2395-0463
Volume 01 Issue 05
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